

VZCZCXRO5424
OO RUEHMA RUEHPA
DE RUEHMA #0336/01 1261348
ZNR UUUUU ZZH
O 051348Z MAY 08
FM AMEMBASSY MONROVIA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 9982
INFO RUEHZK/ECOWAS COLLECTIVE

UNCLAS SECTION 01 OF 03 MONROVIA 000336

SENSITIVE
SIPDIS

E.O. 12598: N/A

TAGS: [EINV](#) [BEXP](#) [EFIN](#) [ETRD](#) [ECON](#) [KMCA](#) [LI](#)

SUBJECT: LIBERIA: 21 REFORMS TO IMPROVE THE BUSINESS CLIMATE MAY
BOOST MCC SCORE

REF: A) MONROVIA 255 AGOA WORKSHOP

¶1. (SBU) SUMMARY: The GOL has announced 21 reforms to improve Liberia's ranking in the IFC "Doing Business" index by enhancing the business climate. The rapid progress reflects President Sirleaf's commitment and the productive collaboration between the GOL and the business community to target regulatory changes that do not require legislative action. There was special emphasis on reforms that will also affect Millennium Challenge Account ratings. The reform process is on-going, with the more complex changes to be tackled next. However, legislation revising the Investment Code that was withdrawn in February for further consultations with the business community has not been resubmitted to the legislature. The full list of 21 reforms is at para 8. END SUMMARY

¶2. (U) Liberia debuted at number 170 of 178 countries on the International Finance Corporation's "Doing Business" index in September 2007. The pride of being rated for the first time was mitigated by the stark recognition that onerous GOL procedures are hampering economic growth. President Sirleaf called for a government-wide initiative to improve Liberia's standing as much as possible for the 2008 rankings, establishing a cabinet-level Business Reform Committee in January to revise administrative procedures that taint the business climate and calling for implementation by April (in time for the next IFC rating period). The reforms were announced April 29 but had been phased in over the past few weeks.

¶3. (U) The IFC supported the GOL by creating a public-private partnership, the Liberia Better Business Forum, to brainstorm on the most effective changes. The short-term focus was on regulatory changes that could be made without legislative approval and targeted four of the indicators: Starting a Business; Construction Permits/Licenses; Trading Across Borders and Registering Property. The reforms in Starting a Business may improve Liberia's performance on that element of the MCC scorecard. A new website containing regulations and other essential information is in progress and should be launched in May as part of a massive publicity campaign. There are already notices posted at ministries informing the public that government forms and Tax Identification Numbers are free, and providing contact information in case of questions or problems.

¶4. (U) The improvements include reducing the number of required signatures, establishing time limits for GOL approvals, and consolidating officials in one location to reduce the need to go from place to place for permits and approvals. One major systemic change is publication of procedures and prices for obtaining permits and registering a business. The next step is to refine the current reforms and identify the longer-term reforms.

Skeptical Optimism

¶5. (U) At an April 30 workshop on the Starting a Business reforms, the business community was engaged but skeptical that the reforms alone will significantly reduce corruption and delays. Participants were introduced to the officials at the Ministry of Commerce and Industry (MoCI), Ministry of Finance (MOF), and the Ministry of Foreign Affairs (MoFA) at the Assistant Minister and Director level

who have been charged with implementing the changes. Regarding past frustrations with corruption and inefficiency, participants were told to look forward, not backwards, and to notify one of the officials in charge should there be problems in the future.

¶16. (U) While welcoming the changes, business community representatives noted that even with the reforms clerks have discretion to demand bribes. They highlighted the need for more realistic salaries and better working conditions for civil servants, noting that officials in the domestic trade office share desks and work with (an inadequate number of) old typewriters. If civil servants are backlogged in processing paperwork, it will remain tempting to pay an over-worked typist to "expedite" an application. One new reform, permitting businesses to register throughout the year rather than requiring that every business register in January, should even out the workload. Multi-year registration, under consideration but requiring legislative approval, would also ease the crunch.

Still Plenty of Room for Improvement

¶17. (U) Several further changes proposed by the business community are under consideration but require legislative action. These include adjusting the fees for registering a business and easing the requirement that Articles of Incorporation be signed by the Minister of Foreign Affairs and not a designee. The quagmire of land tenure conflicts is also likely to require legislative, if not constitutional, reform.

List of Agreed Reforms

MONROVIA 00000336 002 OF 003

¶18. (U) The major innovation is publication of flow charts explaining every stage of each process and specifying authorized fees. The GOL has also clarified that business registration at the Ministry of Commerce precedes application for licenses or permits from sectoral ministries. There had previously been confusion about whether companies should register before or after receiving the necessary permits to conduct their business.

STARTING A BUSINESS (MCA indicator)

- Standard form for articles of incorporation will enable businesses to register without an attorney;
- Computerized list of corporate names; (This list will be posted on-line when the website is operational so entrepreneurs can check in advance that their proposed name is available.)
- Co-location of the MoFA official at the MoF to eliminate the need to go to several ministries;
- Reduction of MoFA approval time for new Articles of Incorporation to 5 business days;
- Reduction of MoCI approval time for new business registrations to 5 business days;
- Reduction of the number of required MoCI signatures from 4 to 2;
- Elimination of MoCI's previous practice of physically inspecting all new business sites before approve the registration; (Screening will be random, to confirm accuracy of business registrations.)
- Implementation of a standard checklist that will specify all required forms and fees prior to application. The checklist will also allow the ministry to quickly identify whether or not applications are complete prior to acceptance;
- Reduction in approval time from 90 days (as reported in last year's DB survey) to 30 calendar days. Applications not rejected within 30 days will be deemed approved;

-- Reduction in the number of signatures required for approval at the Ministry of Public Works from 4 to 2 (zoning and technical services). NOTE: Where a project involves an international government or has a market value in excess of US\$1M, the Minister's signature will be required. The 30 day approval time will still apply.

IMPORTS

- 50% reduction in customs usage charges from 3% to 1.5%;
- Creation of a tiered fine structure for violation of pre-shipment inspection requirements;
- The Seaport Police and National Police are the only authorized security forces at the port. Unauthorized security officials and other nonessential staff have been removed;
- Elimination of the Ministry of Transport vehicle import permit clearance fee;
- Reduction in the number of required MoCI signatures for an Import Permit Declaration from 4 to 3;
- Reduction of pre-shipment inspection (PSI) fees from 1.5 to 1.1% of FOB value;
- Shift from compulsory PSI to compulsory destination inspection (DI) for rice, petroleum and cement;
- Reduction in clearance steps from 40 in early 2007, to 24 in July 2007, and further reduced in April 2008 to 9 steps (with PSI) and 11 steps (without PSI).

EXPORT

- Elimination of the MoF Excise Tax Division and the Bureau of Concessions from the process;
- Approval and processing of all MoF export documents (including transshipment and bonded goods clearance) at the port vs. at the ministry;
- Elimination of the MoF export clearance requirement. NOTE: an Export Permit Declaration is still needed.

REGISTERING PROPERTY (an MCA indicator)

MONROVIA 00000336 003 OF 003

¶9. (SBU) There were no reforms announced in this round but that does not reflect a lack of concern. Land tenure issues are the biggest threat to Liberia's stability and the focus of a broad range of initiatives. On the most fundamental level, the Archives, housed in the Ministry of Foreign Affairs, is building shelves to try to provide safer storage for the deeds and land records, many of them crumbling papers from the 1800s that were not destroyed in the war. The GOL has created a Land Commission and is taking other steps to tackle the problem but progress will be slow and careful.

¶10. (SBU) Regarding non-real property, Liberia has a solid legal base for protecting intellectual property rights but enforcement and implementation are almost non-existent. A new Board for the Copyright Office, appointed by President Sirleaf in late 2007, could add new vigor to that organization.

¶11. (SBU) Comment: These reforms were identified through an effective process of private-public consultation. Success depends on two factors: the willingness of firms to report shortcomings in implementation to the appropriate GOL authorities and the ability of the GOL to address those shortcomings. We believe the political will is there, but it remains to be seen if it will be enough to overcome the low salaries and deeply entrenched habits of Liberia's civil service. Continuing difficulties in passing revisions to the

Investment Code do not bode well for the next round of reforms that will require legislative approval. The Investment Code was updated in consultation with the International Finance Corporation (IFC) and others, but the President withdrew it in February after strong objections by members of the business community. Despite what was described as fruitful consultations, the draft bill has not been resubmitted to the legislature and we see no signs in the broader business community of support for those reforms.

ROBINSON